



JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

April 13, 2016

TO: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: John Naimo  
Auditor-Controller

A handwritten signature in blue ink, reading "John Naimo", is written over the printed name and title.

SUBJECT: **CALIFORNIA HISPANIC COMMISSION ON ALCOHOL & DRUG ABUSE, INC. – A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF PUBLIC HEALTH SERVICES PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of California Hispanic Commission on Alcohol & Drug Abuse, Inc. (CHCADA or Agency), which included a sample of transactions from Fiscal Years (FY) 2011-12 and 2012-13. The Department of Mental Health (DMH) contracts with CHCADA to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Public Health (DPH) also contracts with CHCADA to provide Substance Abuse Prevention and Control (SAPC) Program services, including prevention, drug treatment and recovery, adolescent intervention, and counseling services.

The purpose of our review was to determine whether CHCADA appropriately accounted for and spent DMH's and DPH's funds to provide the services outlined in their County contracts. We also evaluated the Agency's financial records, internal controls, and compliance with their County contracts and other applicable guidelines.

DMH paid CHCADA approximately \$6.4 million on a cost-reimbursement basis during FYs 2011-12 and 2012-13, and DPH paid the Agency approximately \$4.7 million for FY 2012-13. CHCADA's headquarters is in Sacramento County, and the Agency provides services to residents of the First and Fifth Supervisorial Districts.

## **Results of Review**

### **DMH Program Review**

CHCADA did not maintain documentation to support 11 (13%) of the 83 billings reviewed, resulting in an overbilling totaling \$1,692. Specifically, CHCADA did not complete Progress Notes in accordance with their County contract and billed for unallowable services.

*CHCADA's attached response indicates that they will repay DMH \$1,692.*

### **DMH and DPH Fiscal Review**

CHCADA maintained adequate controls over their cash and fixed assets. However, the Agency:

- Allocated their shared costs to the DMH and DPH SAPC Programs using an unallowable methodology.
- Charged \$88,130 to the DMH Program and \$51,178 to the DPH SAPC Program in unallowable expenditures.
- Did not maintain criminal record clearances for 17 employees, and did not maintain proof of qualifications for six employees.

*CHCADA's attached response indicates that they will re-allocate their shared costs, reduce their DMH Cost Reports by \$88,130, repay DPH \$51,178, and maintain personnel files with required documentation.*

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

## **Review of Report**

We discussed our report with CHCADA, DMH, and DPH. CHCADA's attached response (Attachment II) indicates agreement with our findings and recommendations. DMH and DPH management will work with CHCADA to ensure our recommendations are implemented.

We thank CHCADA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Elaine Boyd at (213) 253-0303.

JN:AB:PH:EB:sk

Attachments

c: Sachi A. Hamai, Chief Executive Officer  
Robin Kay, Ph.D., Acting Director, Department of Mental Health  
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health  
Luz Serrano, Board Chair, CHCADA  
James Z. Hernandez, Executive Director/CEO, CHCADA  
Public Information Office  
Audit Committee

**CALIFORNIA HISPANIC COMMISSION ON ALCOHOL & DRUG ABUSE, INC.  
DEPARTMENTS OF MENTAL HEALTH AND PUBLIC HEALTH PROGRAMS  
CONTRACT COMPLIANCE REVIEW  
FISCAL YEARS 2011-12 AND 2012-13**

**DMH PROGRAM SERVICES**

**Objective**

Determine whether California Hispanic Commission on Alcohol & Drug Abuse, Inc. (CHCADA or Agency) maintained documentation to support the services billed to the Department of Mental Health (DMH) and whether the clients received the billed services. In addition, determine whether CHCADA completed Assessments, Client Treatment Plans, Progress Notes, and Informed Consent forms in accordance with their County contract and related guidelines.

**Verification**

We selected 83 of the 2,464 approved Medi-Cal billings for August and September 2012. We reviewed the Assessments, Client Treatment Plans, Progress Notes, and Informed Consent forms in the clients' case files for the selected billings. The 83 billings represent services provided to 25 clients.

**Results**

CHCADA overbilled DMH \$1,692 for 11 (13%) of the 83 billings reviewed. Specifically, of the 83 billings reviewed, the Agency overbilled for:

- Four (5%) billings, totaling \$589, for which the Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the Client Treatment Plan objectives, as required by the DMH Provider's Manual. According to the DMH Provider's Manual, Chapter 1, Page 14, each Progress Note is required to document the progress the client is making toward his/her objectives.
- Four (5%) billings, totaling \$412, that were unbillable services. Specifically, CHCADA submitted two billings for the services to a client in juvenile hall, one billing to a client in a psychiatric inpatient hospital, and one billing for a clerical service. According to the DMH Provider's Manual, Chapter 1, Pages 8 and 9, these services are not reimbursable.
- Two (2%) billings, totaling \$342, for services provided by an employee who did not meet the required qualifications to provide the mental health service. Specifically, the staff person who provided mental health therapy was not a registered clinician as required by the DMH Provider's Manual, Chapter 1, Page 29. According to the DMH Provider's Manual, psychotherapy shall be provided

by licensed, registered, or waived staff practicing within their scope of practice. The questioned amount is only for August and September 2012. DMH will need to determine the total amount of unallowable billings.

- One (1%) billing, for \$349, without documenting the need for the Crisis Intervention Service, as required by the DMH Provider's Manual. According to the DMH Provider's Manual, Chapter 2, Page 38, a Crisis Intervention note must include acuity of client or situation which jeopardizes the client's ability to maintain community functioning.

In addition, CHCADA did not maintain an Informed Consent form, as required by the DMH Provider's Manual, Chapter 2, Page 37, for one (13%) of the eight client charts in which the client received treatment with psychotropic medication. According to the DMH Provider's Manual, if medications are prescribed, there must be a medication specific Informed Consent form completed.

### **Recommendations**

**California Hispanic Commission on Alcohol & Drug Abuse, Inc. management:**

1. **Repay the Department of Mental Health \$1,692.**
2. **Work with the Department of Mental Health to determine the total disallowed billing amount related to the services provided by an unqualified staff, and repay the Department of Mental Health the amount identified.**
3. **Ensure that Informed Consent form is documented in the client's chart prior to treatment with psychotropic medication.**

### **STAFFING QUALIFICATIONS**

#### **Objective**

Determine whether CHCADA's treatment staff had the required qualifications to provide DMH Program services.

#### **Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 30 (48%) of the 62 treatment staff who provided services to DMH clients during August and September 2012.

**Results**

As indicated in the DMH Program Services section, one (3%) of the 30 staff reviewed did not have the required qualifications to provide DMH Program services.

**Recommendation**

4. **California Hispanic Commission on Alcohol & Drug Abuse, Inc. management ensure that treatment staff are qualified to provide the Department of Mental Health Program services.**

**CASH/REVENUE****Objective**

Determine whether CHCADA properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were prepared timely, and reviewed and approved by Agency management.

**Verification**

We interviewed CHCADA's personnel, and reviewed their financial records and August 2013 bank account reconciliations for three bank accounts.

**Results**

CHCADA properly recorded revenue in their financial records, deposited their DMH and Department of Public Health (DPH) cash receipts timely, and bank account reconciliations were prepared timely, and reviewed and approved by Agency management.

**Recommendation**

**None.**

**COST ALLOCATION PLAN/EXPENDITURES****Objective**

Determine whether CHCADA developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the DMH and DPH Substance Abuse Prevention and Control (SAPC) Programs were allowable, properly documented, and appropriately allocated.

**Verification**

We interviewed CHCADA's personnel, and reviewed their Plan and financial records for 95 (56 direct and 39 shared) non-payroll expenditures, totaling \$434,384 (\$299,287 direct and \$135,097 shared), that the Agency charged to the DMH Program from July 2011 through June 2013 and to the DPH SAPC Program from July 2012 through June 2013.

**Results**

CHCADA developed their Plan using an appropriate cost allocation methodology. However, the Agency inappropriately allocated \$135,097 in shared expenditures to the DMH and DPH Programs using an unallowable methodology. The methodology used did not allocate shared expenditures based on actual conditions as required by Section D.3, Attachment A of the Office of Management and Budget Circular A-122.

In addition, CHCADA charged unallowable expenditures totaling \$88,130 to the DMH Program and \$51,178 to the DPH Program. The unallowable expenditures included late fees, donations, overcharged expenditures, prior year expenditures, and expenditures related to other programs. The following chart summarizes the unallowable expenditure amounts by Program and Fiscal Year (FY):

Program	Unallowable		Total
	FY 2011-12	FY 2012-13	
DMH	\$ 58,011	\$ 30,119	\$ 88,130
DPH		\$ 51,178	\$ 51,178

**Recommendations**

**California Hispanic Commission on Alcohol & Drug Abuse, Inc. management:**

5. **Allocate shared costs to the Department of Mental Health and Department of Public Health Programs using an allowable method, and repay any excess amounts received.**
6. **Reduce the Fiscal Years 2011-12 and 2012-13 Department of Mental Health Cost Reports by \$58,011 and \$30,119, respectively, and repay the Department of Mental Health for any excess amounts received.**
7. **Repay the Department of Public Health \$51,178.**
8. **Ensure that Program expenditures are allowable and supported with adequate documentation.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether CHCADA's fixed assets and equipment purchased with DMH and DPH funds were used for the appropriate Programs and adequately safeguarded.

**Verification**

We interviewed CHCADA's personnel, and reviewed their fixed assets and equipment inventory list. We also performed a physical inventory of 26 items purchased with DMH and DPH funds to verify the items exist and were being used for the Programs.

**Results**

CHCADA adequately safeguarded and used the items we reviewed for the DMH and DPH SAPC Programs.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether CHCADA maintained personnel files as required and charged payroll expenditures to the DMH and DPH SAPC Programs that were allowable, properly documented, and appropriately allocated.

**Verification**

We compared the payroll expenditures for 48 (30 direct and 18 shared) employees, totaling \$225,750 (\$107,809 direct and \$117,941 shared) for April, June, and August 2013, to the Agency's payroll records and time reports. We also interviewed employees and reviewed personnel files for the 48 employees.

**Results**

CHCADA appropriately charged their payroll expenditures to the DMH and DPH SAPC Programs. However, CHCADA did not maintain personnel files with criminal record clearances for 17 employees and proof of qualifications for six employees. In addition, CHCADA did not notify the County of four (one DMH and three DPH) employees' misdemeanors and conviction records prior to employment as required.

**Recommendations**

**California Hispanic Commission on Alcohol & Drug Abuse, Inc. management:**

- 9. Maintain personnel files with required documentation, including criminal record clearances and employment eligibility verification.**
- 10. Comply with the County contract requirements regarding criminal record clearance requirements.**

**COST REPORTS**

**Objective**

Determine whether CHCADA's FY 2012-13 DMH and DPH SAPC Cost Reports reconciled to their financial records.

**Verification**

We compared the Agency's FY 2012-13 DMH and DPH SAPC Cost Reports to their financial records.

**Results**

CHCADA's FY 2012-13 DMH and DPH SAPC Cost Reports reconciled to their financial records.

**Recommendation**

**None.**



**CALIFORNIA HISPANIC COMMISSION**  
on Alcohol & Drug Abuse, INC.

March 17, 2016

To: John Naimo  
Auditor Controller  
KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873

From: CALIFORNIA HISPANIC COMMISSION ON ALCOHOL & DRUG ABUSE, INC.

**Re: RESPONSE OF CALIFORNIA HISPANIC COMMISSION ON ALCOHOL & DRUG ABUSE-  
A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF PUBLIC HEALTH  
SERVICES PROVIDER TO CONTRACT COMPLIANCE REVIEW**

On November 16, 2015, the Auditor Controller completed a contract compliance review of the California Hispanic Commission on Alcohol & Drug Abuse, Inc. (CHCADA) with Department of Mental Health and Department of Public Health for Fiscal Years 2011-2012 and 2012-2013.

Attached is California Hispanic Commission on Alcohol & Drug Abuse, Inc. (CHCADA) management response, Attachment II.

Thank you again for your assistance and cooperation. Should you have any questions or need additional information, please contact me at [mrh@chcada.org](mailto:mrh@chcada.org), (916) 443-5473 Ext. 205 or Lynn Sharman @ [amsharman@chcada.org](mailto:amsharman@chcada.org), (916) 443-5473 Ext 211.

Sincerely,

  
James Z. Hernandez  
Executive Director/CEO

**ATTACHMENT II**

**Recommendation #1**

Repay the Department of Mental Health \$1,712.

**Management Response**

CHCADA agrees with the recommendation and will repay Department of Mental Health \$1,712.

**Recommendation #2**

Work with the Department of Mental Health to determine total disallowed billing amount related to the services provided by an unqualified staff and repay the Department of Mental Health the amount identified.

**Management Response**

CHCADA will ensure that all employees providing mental health services meet the qualification as required by the DMH Provider's Manual Chapter 2, page 2-4. The disallowed billing provided by an unqualified staff will be repaid to Department of Mental Health.

**Recommendation #3**

Ensure that Informed Consent is documented in the client's chart prior to treatment with psychotropic medication.

**Management Response:**

CHCADA will ensure that Informed Consent form is documented in the client's chart prior to treatment with psychotropic medication and make certain that clients shall be treated with psychotropic medications only after they have been informed by the physician of their right to accept or refuse such medications.

**Recommendation #4**

California Hispanic Commission On Alcohol & Drug Abuse, Inc. management ensures that treatment staffs are qualified to provide the Department of Mental Health Program services.

**Management Response**

CHCADA will ensure that treatment staffs are qualified to provide the Department of Mental Health Program services. Staff certifications are filed in the employee personnel files.

**Recommendation #5**

Re-allocate Fiscal Years 2011-12 and 2012-13 shared costs to the Department of Mental Health and Department of Public Health Programs and repay any excess amounts received.

**Management Response**

CHCADA agrees with the findings and will repay any excess amounts received from the Department of Mental Health and Department of Public Health.

**Recommendation #6**

Reduce the Fiscal Years 2011-12 and 2012-13 Department of Mental Health Cost Reports by \$58,011 and \$30,119 respectively and repay the Department of Mental Health and Department of Public Health for any excess amounts received.

**Management Response**

CHCADA agrees to reduce Department of Mental Health Cost Reports for Fiscal Years 2011-12 and 2012-13. Any excess amounts received from the Department of Mental Health will be repaid or deducted from the Cost Report Settlement.

**Recommendation #7**

Repay the Department of Public Health \$51,178.

**Management Response**

CHCADA agrees to repay Department of Public Health \$51,178.

**Recommendation #8**

Ensure that Program expenditures are allowable and supported with adequate documentation.

**Management Response**

CHCADA will ensure that Program expenditures are supported with adequate documentation at all times. Accounting staff are trained to make sure that all transactions are supported with proper documentation and allowable.

**Recommendation #9**

Maintain personnel files with required documentation, including criminal record clearances and employment eligibility verification.

**Management Response**

The auditor's recommendation has been implemented. All required documentations, including criminal record clearances and employment eligibility verification are maintained in the personnel files.

**Recommendation #10**

Comply with the County contract requirements regarding criminal clearance requirements.

**Management Response**

CHCADA will ensure to comply with the County contract requirements regarding criminal clearance requirements. All new employees are required to get criminal clearance before employment.